

ISO 20022 Newsletter

Chairman's Letter

Dear 20022 Members:

One method to measure satisfaction for our work is to see the manner in which ISO 20022 is being absorbed into the fabric of the global financial services industry. New applications for inclusion in the 20022 standard are coming in on a regular basis, as well as new acceptance of the standard among global institutions and regulatory communities.



For this, we deserve a “pat on the back” and I wish to say “thank you” to our members for seeing that ISO 20022 adoptions are no longer an exception. ●

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The Missing Link

By Steve Goswell, ISITC

As long ago as 2006 I described ISITC as a “full service standards organization”. What I meant is that ISO 20022 opens up a new dimension to market practice organizations like ISITC. Traditionally, we spend much of our time devoted to developing market practice for existing messages, describing how best to use those messages to meet very specific business requirements. With the advent of ISO 20022 we can now propose whole new messages, not something that we have ever done in the past.

“ISO 20022”, I said, “gives ISITC a platform to evolve into an organization that combines our market practice expertise with the ability to create new standards.”

However, my bold claim was not entirely true. We could propose new standards, but we couldn't build them. Once a business justification (BJ) was approved by the Registration Management Group (RMG) we relied completely on SWIFT, the Registration Authority (RA), to build the models and messages on our behalf. ISITC, as an organization simply do not have the wherewithal or the depth of expertise necessary to dabble in the black arts of UML. *(continued on page 4)*

For more information on ISO 20022, consult the ISO 20022 website at www.iso20022.org and get access to:

- Two scripted Powerpoint presentations to understand the ISO 20022 value proposition, the role of the various registration bodies, and what has been developed so far
- How to become an ISO 20022 ‘submitting organization’ and develop [new ISO 20022 messages](#) or how to submit [updates to existing messages](#).
- Who is representing your country or organization in each of the ISO 20022 registration bodies: the [Registration Management Group](#) (RMG), the five [Standards Evaluation Groups](#) (SEGs) and the [Technical Support Group](#) (TSG).
- Which are the current [development projects](#) and their status
- The [catalogue of ISO 20022 messages](#) including the latest version of ISO 20022 messages and the archive of previous versions.

If you have questions, please send them to the ISO 20022 Registration Authority at iso20022ra@iso20022.org.

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ISO 20022: A Full-XML CSM Implementation

By Hervé Robache, STET, active member of CFONB: the French Banking standardisation AFNOR committee

When conceiving a new Clearing and Settlement Mechanism (CSM) - platform, in 2005, the French banking community stressed the need for integrating modern and mature technologies. Among these technologies, XML was neither the last nor the least!

XML structures had already been used within the previous CSM implementation. On one hand the scope of this usage was thin and did not involve the core of a still legacy-linked system. On the other hand, the experience was quite valuable in terms of knowledge and skills.

Therefore while designing this new CSM from scratch the project took into account extended use of XML. Nevertheless, this was not considered an “XML everywhere” dogma and the balance between the pros and cons of XML technologies was factored into the architecture. XML is at the heart of the new system, but it is not the heart itself.

ISO 20022: A DRIVER

The first draft versions of ISO 20022 Payment Clearing and Settlement messages were a source of inspiration, even before the official release of these messages. Early adoption of

certain ISO 20022 concepts definitely eased the conception of the XML structures needed by the new French CSM. Two examples may be pointed out:

The first example relies on the use of XML Schema Definition (XSD) files and how the versioning of these files is handled through the setting of the name space URI. The second example covers the definition and reuse of simple or small XML structures which can be helpful in a “Brick and Mortar” approach to build bigger, more complex, business-oriented structures.

ISO 20022: A REQUIREMENT

The role of ISO 20022 increased dramatically with the advent of SEPA. ISO 20022 therefore became an obvious increment of the technical and functional requirements to be addressed by a market infrastructure in order to process SEPA payments.

Fortunately, the architectural choices made during the conception of the new French CSM infrastructure led to a rather smooth implementation within the system. Processing and parsing native ISO 20022 messages was natural given the XML technologies embedded within the system. Moreover, migration from the first release of the Payments Clearing and Settlement messages to the second release did not produce any major side-effect.

The French CSM infrastructure has eased the French migration to SEPA Credit Transfers; more than 25% of all French Credit Transfers (daily average at eight millions transactions - daily peaks around twenty millions transactions) are now performed using the SEPA format, so the CSM regularly records activity peaks around ten million SEPA credit transfers and related transactions per day.

ISO 20022: A STANDARD

The next likely step would be extensive use of ISO 20022 XML structures by the CSM, not only for SEPA payment processing but for other purposes like non-accounting transactions (Information on the Change of bank and /or Account Identification ones in November 2012) or the financial monitoring and reconciliation processes.

This trend could lead to a real convergence between CSM infrastructures and could ease the consolidation of the SEPA market. ●

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SADC to Adopt ISO 2022 Message Standards in Regional Integration Project

By Juliet Kairuki

INTRODUCTION

Eleven countries in the fifteen member country Southern African Development Community (SADC) are currently involved in a regional payment initiative, driven by the Committee of Central Bank Governors (CCBG) in support of the macro regional integration initiative, aimed at deepening regional trade and investment.

SADC has, within its boundaries, had an integrated area known as the Common Monetary Area (CMA) for many years. The intention is to use the CMA as the basis for the development of an integrated payments infrastructure for SADC as a whole. The CMA is comprised of Lesotho, Namibia, South Africa and Swaziland where the South African rand is legal tender throughout.

At this point it is intended that all countries in SADC maintain their own currencies and domestic financial infrastructures. However a common regional settlement currency will be used and it has been decided that the settlement currency will be the South African Rand. The Rand will be used in the pilot project to prove the workings of the processes that are being developed.

REGIONAL SETTLEMENT SYSTEM

The CCBG are presently preparing for the deployment of a regional Real Time Gross Settlement System (RTGS) and all banks in the CMA (at first and other banks in SADC later) will maintain settlement accounts in the regional RTGS. The RTGS is to be known as SIRESS (SADC Integrated Regional Electronic Settlement System).

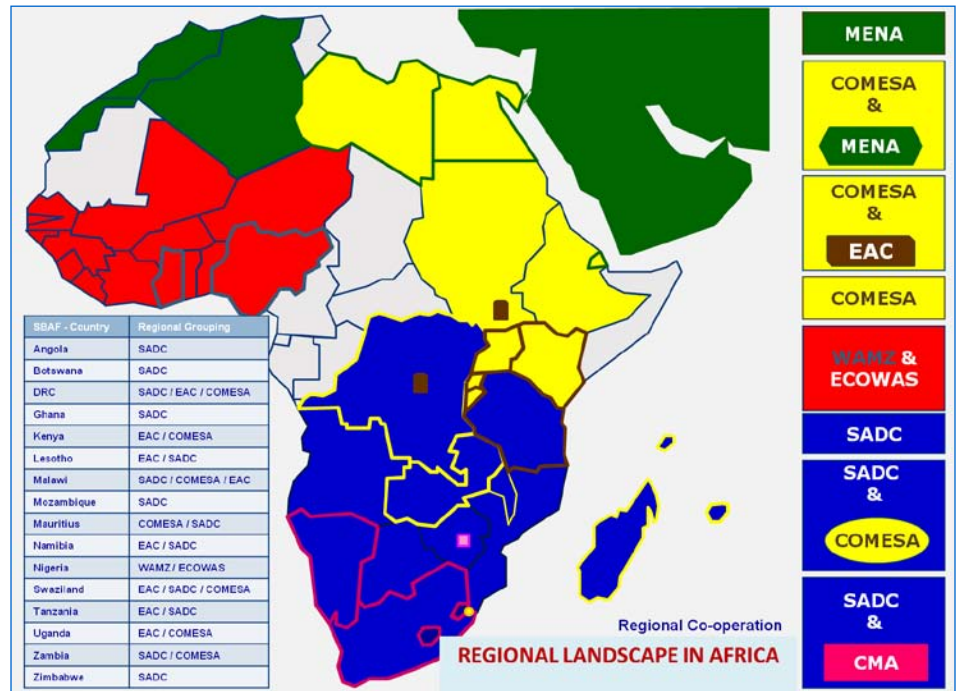


Diagram A: Map of SADC Region (in Blue)

Work stream	Focus Area
Credit Transfers for Immediate Settlement	Immediate settlement of credit transfers through the regional RTGS
Securities DVP	Payment leg of stock market transactions
Forex/Fin Markets	Forex, money market and bond settlements
Bank Notes	Bulk ordering and repatriation
Cheques	Elimination of cross border cheques
ATM's	Linking for required customer reach
Card	Introduce regional and clearing settlement
EFT Debit	Development of cross border model completed
EFT Credit	Develop mechanisms & Interfaces (benefit from IPFA)
P2P	Elimination of burdensome regulatory requirements

Diagram B: SADC-BA Payments Projects Work Streams

PAYMENT STREAMS

The SADC Banking Association, which is an association of banking associations, has been mandated to develop the various payment instruments that are expected to be deployed within the region. Settlement of the inter-bank obligations arising from these instruments will be made through SIRESS.

A number of payment streams have been identified that will be focused on in the SADC payments initiative. The streams range from regional credit and debit card transactions to high value transfers requiring immediate settlement. Regional operators will be used to clear and settle both card transactions and non-urgent low value credit transfers and direct debits. Such operators will need to adhere to the CPSS/IOSCO principles and the SADC rule set that will be developed by the SADCBA.

ADOPTION OF ISO STANDARDS

At the outset of the project it was decided that ISO or appropriate international standards will be used wherever possible to ensure interoperability amongst participants. These standards cover both the ISO 8583 standard employed in the card payments world and other ISO standards such as date, time, country and currency codes standards, etc. and for certain payment streams, the use of ISO 20022 developed message standards.

The SADCBA arranged for all participating countries to register as country members with ISO TC 68 in order that the channel of communication between ISO and the countries concerned can be improved and that the countries concerned in turn can register their usage of applicable ISO standards within their countries.

The proposed deployment of the ISO 20022 developed message standards in the low value (non-urgent) payment streams is significant in that, in many parts of the region, there

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is fortunately no legacy that needs to be dealt with, there is a desire to adopt these standards and the richness of the messaging elements should allow any country specifics to be accommodated.

PROJECT PHASES

It is intended that the first payment stream, credit transfers requiring immediate settlement in the CMA sub-region, will be tested in 2013 and thereafter a live date for full deployment will be announced. After the live deployment the CCBG will work out a program for inclusion of the non-CMA area banks.

The SADCBA will, at the same time, be working on the deployment of payment clearing and settlement of card and other low value payment streams. These streams will be introduced in 2014 and 2015. Other streams, such as the P in the securities DVP settlements, Inter-bank Foreign Exchange and loan transactions will also be introduced in 2014 and 2015. ●

The Missing Link

(continued from page 1)

This is changing. As noted in the winter 2011 newsletter, the new edition of the ISO 20022 (due mid-2012) standard includes a new development tool, easier and less expensive to use than the UML-based SWS-Lite. ISITC, Omgeo, and the FIX Protocol Ltd. are piloting the Standards Editor for a series of candidate messages that have been approved by the RMG.

First, the Securities Management Accounting Book-entry instruction will be implemented as a supplementary data component for the pacs.009 and camt.057 messages. Secondly, together with Omgeo as the lead, and also with FIX, ISITC are developing a set of messages for Standing Settlement Instruc-

tions for Securities, Payments, and FX.

With the Standards Editor we will be able to build the messages independently, thus reducing the burden on RA resources. If our pilot program is successful and the Standards Editor meets our expectations then ISITC truly will have the entire message development life cycle covered: we can propose messages; with the Standards Editor we can build them; and then finally, we can write the market practice describing how to use them.

The Standards Editor is the final piece of the puzzle. It is “the missing link” that enables ISITC finally to make good on that claim we made all those years ago. ●

Securities SEG Keeps Busy

By Kevin Wooldridge, *Securities SEG Convenor*

We are starting to become accustomed to the cyclical nature of change within the securities component of ISO 20022. After a hectic end to 2011, the first half of 2012 has been relatively sedate. As the body of messaging within the perimeter of the standard increases, we are driven more and more by the heartbeat of annual maintenance, less and less by the more random pulses of new submissions. That is not to suggest that there will be no more new creations. We are expecting the 'patter of tiny messages' in relation to post-trade processing in the next few months. But it seems that the majority of the work done by this SEG has gradually shifted to maintenance. And with a deadline for the submission of change requests (CRs) set to June 1st, this will inevitably mean that the first half of the year is an opportunity to draw breath before the exertions of the summer.

So what have we been up to?

First, we welcome another new Secretary to the SEG. Stephanie Duverger moved to ESMA (from the ECB), and left the SEG as a result, although I, for one, see the role of regulation as absolutely vital in the advancement of standardisation in the face of what can be an unappetising economic environment. I trust that Stephanie will bear us in mind in her future work!

Mireia Guisado-Parra's appointment as the new incoming Securities SEG Secretary, fully supported by the SEG



membership, was ratified at the November RMG in Oslo. Mireia works for SWIFT in their Singapore standards office, and is very well-placed to provide support and encouragement to the Asia Pacific community as it embraces ISO 20022.

The SEG had a conference call in late January, to approve the final message definitions following the 2011 maintenance exercise. We also discussed a change request that had been received from the Norwegian community.

For now, though, we must begin to prepare ourselves for the 2012 maintenance process. While I am happy to report that the process was much smoother last year than prior years, I was a little concerned by the turnout to some of the calls. The Investment Funds maintenance calls, in particular, were not well-attended. The ISO 20022 maintenance process is particularly important for Investment Funds, as the messages have been implemented in a number of markets, and there is no ISO 15022 equivalent message, unlike corporate actions, or settlement or reconciliation.

So I would ask anyone who is on the SEG or in an Evaluation Team to make sure they read the material that is distributed in June, and make their best effort to attend the calls. It's important that we have a robust process, and that any changes are sanctioned by the global community. ●



JASDEC to Accommodate International Standards

By Shunichiro Unno

JASDEC, Japan's Central Securities Depository (CSD), is planning to implement ISO 20022 message formats in its Pre-Settlement Matching System (PSMS) and Book-Entry Transfer System (BETS) in January 2014. This will be one of the first major implementations of ISO 20022 by a CSD in the securities settlement industry.

BACKGROUND

For many years, JASDEC has employed proprietary message formats, although based on ISO15022, and a proprietary communication network to communicate with its users. This has been referred to as the Japanese market's Galápagos Syndrome. But looking at recent market developments ---foreign investors' trading volume ratio has become nearly 60 per cent and foreign-based financial institutions are wielding a stronger presence than ever--- it's becoming necessary to realize a global reach in a standardized manner and thus enhance the efficiency of/accessibility to the Japanese market and mitigate the costs of inbound trades.

WHY ISO 20022?

It was in 2007 when our challenge started by analyzing all the business processes and the gaps between our proprietary message formats and ISO 15022 message formats, with help from SWIFT, ISO 20022's Registration Authority. At this point, it was not yet decided whether to choose ISO 15022 or ISO 20022. But we soon realized that there was no other way than to choose ISO 20022 for two major reasons.

The first was that there were big gaps between our proprietary message formats and ISO 15022 message formats, especially in the post-trade matching space. JASDEC provides a unique matching service to the Japanese market, comprising a traditional settlement matching service, which centrally matches the settlement conditions between the settlement agents, and also a trade matching service, that centrally matches the trade details between the investment managers, trust banks and broker/dealers. The trade matching service covers asset classes such as equities, fixed income, and listed derivatives, and covers trade types such as primary trades, secondary cash trades, and securities financing trades. So the coverage of our services in the post-trade matching space is much broader than ISO 15022 TIC messages cover at present and the gaps are too

big to attempt to close.

The other was that adopting ISO 15022 would have little technical and architectural advantage for us and for our users, as our proprietary message formats are already based on ISO 15022. On the other hand, the combination of ISO 20022 standards and the XML architecture would give the flexibility, capability and efficiency for the developments and maintenances of the systems. It definitely brings an added value and a greater benefit to the market.

COMMITMENT TO ISO ACTIVITIES

The identified gaps needed to be closed. We became a member of ISO 20022 Securities SEG in order to incorporate the gaps into ISO 20022. So far, we have been committed to 4 business areas of ISO 20022, namely Securities Settlement and Reconciliation, Post-trade Matching (originally named Securities Post-trade), Securities Settlement Transaction Modification and Counterparty Response (originally named Securities Settlement Modification/Replace & Allegement Response) and Total Portfolio Valuation. In the securities settlement space, we have also been participating in ISO 15022 Maintenance Working Group and submitted several change requests in the last few years to be reverse-engineered to ISO 20022.

In parallel with these activities, we reviewed our message requirements, identifying those which were too specific to our own local market practices, and deleted some items from the message formats.

In order to confirm the mapping of our proprietary message formats to the ISO 20022 message formats, and to decide whether to submit the necessary change requests to incorporate the identified gaps into ISO standards or abolish the market practices, we organized a subcommittee consisting of leading market participants. At the subcommittee we also discussed the migration path.

DEFINED PLAN

We are going to introduce ISO 20022 message formats together with SWIFTNet in January 2014 to PSMS and BETS. There are some, but not many, proprietary message formats that can't be mapped to ISO 20022 messages, where a structured XML envelope is going to be used instead.

For each message, two kinds of XML schema will be pro-

vided: JASDEC's standard schema and JASDEC's restricted schema. JASDEC's standard schema will incorporate the local market practices into the ISO 20022 XML schema such as changing a multiplicity from [0..1] to [1..1], shortening the length of a field, and so on. JASDEC's restricted schema will be a restricted version of JASDEC's standard schema, from which unnecessary components/elements in the Japanese market are eliminated. Following ISO 20022 rules for market customization, both these schemas will be compliant with the underlying ISO 20022 XML schema. XML schemas will be provided for the XML envelope messages as well. Why do we need to provide two kinds of XML schemas? As a characteristic of a big domestic market, there are many financial institutions that are purely involved in domestic business. They have nothing to do with ISO 20022 directly and hope that the message formats are fixed unless the Japanese market adopts a new practice. JASDEC's restricted XML schemas can satisfy their demands.

More than 700 XML schemas will be generated and distributed in total, including both the standard schema and the restricted schema. We are not sure whether this number is too

big, but it is apparent that we faced a dilemma. The more the unit of schema generation is divided (such as dividing trade confirmation schemas into cash trades and securities financing trades, and dividing schemas for settlement instruction between equities and fixed income) the more the messages themselves can be validated using XML schemas, and the less the validation is entrusted to applications. It also makes the specifications clearer and brings more efficiency to the process of systems development. But against that, it becomes more difficult and complicated to generate, maintain and manage the schemas.

MIGRATION PATH

It is proposed that the present proprietary message formats continue alongside the ISO 20022 message formats for a number of years, ending their use in 2019. This means our users can choose when to migrate to ISO 20022, within a five-year period. JASDEC will prepare a testing environment, and will facilitate migrations twice per year. During this coexistence period, JASDEC's system will convert the proprietary message formats into ISO 20022 message formats and vice versa. We believe this duration is reasonable, as financial institutions usually replace their computer hardware every five years. Even during a five-year coexistence period, we will initiate new services only with ISO20022 message formats, and thus encourage our users to migrate to ISO 20022 early.

CORPORATE ACTION SERVICE

In Japan, the Tokyo Stock Exchange (TSE) has been providing a corporate actions information announcement service for equities, using proprietary message formats and customized ISO 15022 message formats, called Tokyo Market Information service (TMI). TSE and JASDEC are now discussing an upgrade to TMI to disseminate this information in ISO 20022 message formats. A detailed announcement will follow shortly.

These projects are still in progress, and we expect to face difficulties from time to time, but we believe that greater efficiencies will be achieved at the end. We hope our experience can benefit the ISO 20022 community, and provide hints to those communities, such as other Asian countries, that are planning to accommodate international standards, moving away from proprietary message formats. ●

FOLLOWING ISO 20022 RULES
FOR MARKET CUSTOMIZATION,
BOTH THESE SCHEMAS WILL BE COMPLIANT
WITH THE UNDERLYING ISO 20022
XML SCHEMA. XML SCHEMAS
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INCLUDING BOTH THE STANDARD SCHEMA
AND THE RESTRICTED SCHEMA.

The Role of CBI Consortium as the Italian Standardization Competence Centre

By Liliana Fratini Passi, CBI Consortium

THE ACTIVITIES OF THE CBI CONSORTIUM

Recent improvements in network technologies and the Internet boom in Italy made it possible to communicate at lower costs, ensuring a remarkable widening of applications and therefore opening the way to new supply channels of products and electronic services. At the same time, Italian banks boosted their investment in Information Technology in order to develop innovative services in support of the various types of customers: consumers, enterprises and public agencies.

Among these services offered by Italian banks, those based on Interbank Corporate Banking (CBI) standards have gained importance for the corporate marketplace. The CBI Consortium has defined these standards in order to develop and improve the CBI Service in a cooperative context.

The CBI Consortium represents the **Italian best practice** in the field of the innovation and standardization of corporate banking services, intended for the business target (corporate



clients and public administrations). To date, **660 financial institutions** have joined the CBI Consortium (that accounts for more than 90% of all the Italian banking Community) and as of November 2008, Poste Italiane (the national postal service) has become an Associate. In line with the PSD, the Consortium's associates will also include new Payment Institutions and foreign banking institutions in the future.

There are **more than 850,000 enterprises, above all SMEs (December 2011 source)**

that use CBI functionalities offered by the relative Banks. Public Entities are also part of the client target base.

The Interbank Corporate Banking, the Italian CBI, is an on-line banking service allowing firms of all sizes to work directly, through their computer, with all the banks they have relations with. By centralising all the firm's relations with the whole banking system in one single point, the CBI Service provides a wide range of financial information and commercial tools based on cooperation among banks, without limiting competition.

Hence, the Consortium defines the technical and regulative standards of the CBI Service, on national and international levels, and manages a modern technological infrastructure in order to support the relations among the different parties of the CBI's community (institutions, public bodies, enterprises, trade associations, software vendors, service providers, etc.). This represents a guarantee for consortium members, who are able to provide their customers (enterprises, public administrations, intermediaries, etc.) with innovative services, either in the core collection and payment area (SEPA compliant), or in the innovative area of document management (e.g. e-invoice), according to main national and international standards in line with ISO 20022.

THE CBI CONSORTIUM AND ITS ISO 20022 ACTIVITIES
As in the rest of the world, the globalization process is affecting Italian business players. Italy is, in fact, among the major exporting and importing countries in the world (7th position according to our National institute for foreign trade - ICE).

This implies the need for Italian companies to interface

THE CBI CONSORTIUM HAS BEEN THE FIRST
SUBMITTING ITALIAN ORGANIZATION TO SET
STANDARDS FOR THE BUSINESS AREA TRADE
SERVICES IN THE ISO20022 REPOSITORY,
LODGING THE INVOICE FINANCING REQUEST
SERVICE (IN NOVEMBER 2007) AND THE
CREDITOR PAYMENT ACTIVATION REQUEST
(CPAR) SERVICE (IN SEPTEMBER 2010).



with international trade partners, leading to a high complexity level and high costs, because of the implementation and management of a wide range of expensive solutions. In this context, banks play a key role, supporting companies through an innovative service that facilitates their communication with international counterparts.

Aware of the new needs of the market's players, both banks and corporate clients, the CBI Consortium is fully committed in promoting standardization since 2005, mainly because we believe in the role played by standardization spread as a principal support to the most relevant business needs. Therefore, we are actively working to:

- promote the standards spread in the Italian community;
- support the adoption of ISO-based international standards;
- enable the creation of international business communities.

The value of the ISO 20022 is strongly connected to the definition of standards supporting business processes in the financial context, based on specific and shared methodologies to design the messages (UML – Unified Modeling Language). The CBI Consortium, as representative of the Italian Banking community, is member of the:

- RMG (Registration Management Group), the group aimed at evaluating requests for registration into the ISO 20022 Repository for standards of financial messages.
- Payments and Trade Services SEGs (Standard Evaluation Groups), committed in the technical evaluation of Payments and Trade standards to be included in the ISO 20022 Repository; these groups have been involved with the analysis of the e-invoicing standard to be registered on the basis of the initiative of UN/CEFACT in the ISO 20022 Repository.

The CBI Consortium has been the first submitting Italian organization to set standards for the Business Area Trade Services in the ISO20022 Repository, lodging the Invoice Financing Request service (in November 2007) and the Creditor Payment Activation Request (CPAR) service (in September 2010).

NEW CBI ACCESS POINT TOWARDS PUBLIC ADMINISTRATIONS

The public sector plays a key role in actively fostering the competitiveness of the European economy and promoting the fi-

nancial market. This is due to its close relation with companies and private citizens and to the numerous payment and collection transactions it initiates and receives every day. The purposes of public administrations (PA) – as agreed by the EU Council in the Lisbon Agenda – are clear, and financial integration acts as one of the core levers to achieve the Lisbon objectives.

Consequently, during the last years, “quality”, “efficiency” and “savings” have become the key drivers in the renovation process of the Italian Public sectors, in response to the strong inefficiencies in the administrative and payment processes management. Due to spare resources and low adoption of standardization and ICT solutions, in fact, Public Administrations present today highly customized procedures and tools/services for each institution, highly complicated running of internal processes, which compromise the public institutions’ capacity to offer excellent services and optimize their internal processes.

A significant indicator is the cost for the whole Italian system of “paper-based” management of PA documents and payments, whose estimated value is around € 50-70 billion.

Against this backdrop, several stakeholders categories (in particular, Institutions, Public entities and Banks) have recently shown growing interest in cooperating to remove administrative burdens and modernize procedures, including the promotion of dematerialized means of payment.

In line with the above described development, the CBI

Consortium has recently developed a new Access Point Service, according to which the CBI Consortium can act as a neutral access point, providing Public Administrations with the access points to the CBI network, in representation of the entire Italian banking system.

Basically, the new CBI Access Point services are represented by an extended gateway service that enables the interconnection among different network infrastructures (Public Administrations existing networks and CBI network).

More in depth, the Access Point functionalities can be summarized as follows:

- Routing and addressing of the exchanged flows
- Dispatching and receipt of flows compliant to CBI XML and conversion of flows in other requested format
- Enveloping on CBI standards of unstructured documents
- Security requirements in line with CBI standards
- Advanced Routing functionalities (e.g. VAT/taxpayer code)
- Access utilities to the CBI Directory for routing query
- Centralized Help Desk and monitoring tools
- Disaster Recovery
- CBI standard diagnostic tool
- Flows Storage
- Conversion of formats and schemes of exchanged flows, based on protocols defined together with the client
- Performance measurement and monitoring tools (e.g.: web data monitor)

Three Public Administrations have asked the CBI Consortium, as an impartial interlocutor representing the Italian banking community, for specific support in order to rationalise the current model for their interaction with the banking system.

The above mentioned Public Administrations are:

1. **Ministry of Economy and Finance**, for the financial monitoring of big public works. This service makes a wide visibility of the financial movements generated for the realization of public works possible;

2. **Equitalia**, to rationalize the management of the fund administered by the justice system (Fondo Unico Giustizia – FUG) and the cash management of the group. CBI allows Equitalia to obtain all the information about bank account relations connected to the FUG and dispose/use these relations through telematic means.
3. **Agenzia del Territorio**, to allow the Agency's web users to pay for its services via credit transfer.

In particular the first project - named "**Creation of Automated Procedures Against Criminal Infiltration in public contracts – CAPACI**" project - has been presented by Italian Ministry of Interior (Department of Public Security Coordination and Planning of Police Forces Office), in partnership with CBI Consortium and Formez PA, to the European Commission to respond to a Call for Proposal within the ISEC programme "Prevention Of And Fight Against Crime" and has been awarded by the Commission in order to let the applicant realize the objectives of the project.

The CAPACI project can represent a best practice for other international communities. In this period the CBI Consortium is organizing various meetings with international delegations to present the solution that can be available immediately to countries already using the SEPA system, and after the necessary adaptations, to all Member States.

CONCLUSION

The CBI Consortium contribution to standard activities is in line with its mission and supports the Italian financial community in developing services towards markets (Public Administration, corporates and retail) that are compliant with international developments related to payment systems and document management area.

From this point of view, the CBI Consortium can support the interoperability of payment services and cross-border e-invoicing exchange and the creation of international extended business communities via ISO messages. ●



ISO 20022 in Payments – A Brief Update

By Thomas Egner, Commerzbank

Whenever goods are moved globally, services are contracted or securities are traded, every process results in a payment. Although some payments are effected in cash, i.e. notes, coins, and checks, the vast majority in transaction volume and value is done by using electronic payment instruments such as credit transfers, direct debits or card initiated payments.

Differences in local and regional practices and requirements, however, present challenges to standards and their users. And, belief in the oversimplification that “a payment is a payment” has compounded chaos. SEPA is perhaps the best current example of payment harmonization across multiple markets, bringing standards, legal regulations, and business processes to a common pan-European process. Other regions or initiatives such as IPFA are about to examine how the SEPA development can be copied and how an increasing cross boarder/continent demand could be dealt with.

Supra-national companies have very specific treasury requirements, both for payables as well as for receivables. Their wish for the banking industry was, and remains very clear: establish a common, globally preferred standard and rules for cash management. EDI and more specific EDIFACT addressed needs from a standardization point of view. However, experience shows disappointing results in the adoption of the established framework. This problem remains to this day.

Now, with ISO 20022-compliant XML messages, things have changed. SEPA is requiring that XML messages be used by banks and corporate iEurope. In addition, an underlying legal and business framework was established, something lacking in EDIFACT.

Backed by the SEPA framework, other than the traditional payment instruments (e.g. cards) or business lines of credit (e.g. securities) look at using the defined XML payment messages for their needs - and begin to formulate requirements and functionalities not being taken care of by today's schema definitions. In parallel to this - and also based on the SEPA requirements (which originally only address mass or batch payments) - the usage of XML in High Value Payment systems (HVPS), such as TARGET2 or EURO1 is being discussed in Europe. It also appears, that the XML messages could provide solutions for the new en-

hanced data requirements set out by some communities on HVPS and other High Value Payment Systems around the globe – such as the Zengin System in Japan – already have made the step towards XML or are about to investigate this process (e.g. Canada).

All this sets the framework for describing the PaySEG operations. The group, for the sake of a stable version, deferred all 2011 change requests (CRs), leaving important requests to be implemented in the 2012 version of the standard. Requested CRs resulted mainly because other industries now intend to use payment functionalities, such as cards or securities. In order not to change the schema, which would have an impact for all users, the group discussed the implementation concept of “Supplementary Data”. This would leave the payment data unchanged; however individual user communities could define additional data for which they are individually responsible. Use of the data needs to reach agreement in a user-community. The second major block of changes results from implementation experiences. This would either be weaknesses in the design of the messages (content) or structural improvements (design). An example for the second type could be the implementation of the Business Application Header (BAH). By using the BAH, users can find processing relevant data in a specific block at the beginning of the message – without the need of parsing through the complete file. Results are better performance in message processing.

The increasing use and activities around the XML formats also leads to the implementation of additional services (e.g. CAI/VAI, eBAM, Real-Time-Payments), helping the XML-message family not only to provide end-to-end capabilities, but also realize scenarios providing additional service and value for the users.

Of course, some topics need further attention, such as a potential market migration strategy towards the XML message family. This, however, is a discussion mainly to be led by business groups. The task of the PaySEG is, to provide a sound and stable message basis for such a migration. This could lead to major changes at the beginning of the life-cycle of a message, thus assuring practicability, usability and acceptance over time.

Exciting times! ●

What do the Finnish Police and ISO 20022 Have in Common?

By Messers Tuominen & Kahkonen and Ms. Lindgren

In October 2011, the Federation of Finnish Financial Services (better-known by their acronym, “FFI”) introduced a business justification for the development of a set of three ISO 20022 messages to cover financial investigations performed by the authorities.

CONTEXT – TAKING ON FINANCIAL CRIME

The Finnish Government has set up a multi-year programme to increase the efficiency of fighting economic crime and the grey economy. In this program, entitled “An open, fair and confident Finland” the government states that:

Economic crime and the shadow economy are a source of major losses to society. The shadow economy has become internationalised and in Finland its volume has increased, especially in labour-intensive sectors. Organised and serious economic crime has also increased to an alarming extent.

Conservative estimates suggest that the action plan could annually generate EUR 300–400 million in additional tax revenue and social security contributions and in recovered crime proceeds.”

A part of those additional proceeds are slated to come from increased efficiency in financial investigations. Indeed, the administrative and clerical aspects of these investigations have been estimated to take between 2 and 10 man-years by both the Finnish banking sector and by its financial authorities. The aim is therefore to automate these tasks, thereby freeing up those resources to actually analyse the results of the investigations – to the benefit of the entire Finnish society.



Annika Lindgren



Timo Tuominen



Olli Kähkönen

FFI'S MULTI-STREAM COLLABORATION WITH SWIFT STANDARDS CONSULTING

In May 2011, the Federation of Finnish Financial Services contacted SWIFT Standards to support it through the entire process of developing new ISO 20022 messages. SWIFT Standards Consulting Services supports developers, users and implementers of ISO 20022 standards across many geographies and business areas. Services provided include Project Management, Message Development, Standards Maintenance, Message Implementation, Standards Architecture Review, Message Documentation, and Message Testing.

What immediately caught SWIFT attention were the organisations that were involved. While SWIFT is used to collaborating with financial institutions and has been active in Finland since 1976, this was a first for SWIFT in working with the Police, Tax and Collection authorities, and Customs. “I am pleased to see the interest in and adoption of ISO 20022 in the Finnish community. The project to develop the messages for streamlined financial investigations has been handled with great success due to excellent teamwork between SWIFT and the Finnish community,” says Annika Lindgren, Regional Account Manager for Finland, SWIFT.

Timo Tuominen, Development Manager, eServices, Finnish Federation of Financial Services, “so we got in touch and kicked off the project to create the

format of the messages to be used in the communication between the authorities and the banks. We are happy to see the results of our co-operation and are hoping that other institutions will re-use the messages in their communities as well.”

New edition of ISO 20022

By Jean-Marie Eloy, *ISO 20022 Registration Authority*

It therefore made perfect sense for SWIFT Standards to support the project. The interaction with the FFI project team members was particularly interesting as they were new to the ISO 20022 process, but very rigorous IT analysts who had clear ideas about their message requirements.

Specifically, SWIFT Standards helped drafting an ISO 20022 business justification for FFI, and helped deal with comments received from a number of interested countries, namely France and Japan. All of which led to a positive vote by the ISO 20022 Registration Management Group (RMG) on 17 January 2012.

In the meanwhile, the business requirements were being discussed by the project team and once drafted and approved; these were handed off to a SWIFT Standards consultant who created the business model for the three messages. After development and sign-off by FFI, in March 2012, the messages were delivered to the ISO 20022 Registration Authority for quality review and then submitted to the ISO 20022 Payments Standards Evaluation Group (SEG). SWIFT Standards will also support FFI in promoting the messages to the global community, and adapting the messages if this is judged to be appropriate.

WHAT'S NEXT?

The interest from other communities in this business area bodes well for the extension of the usage of the new messages across continents – and perhaps for cross-border investigations. Some of the project team members also participate in Europol and Interpol working groups, so this is quite possible.

The fact that SWIFT Standards is approached spontaneously is a testament to both the UNIFI-ing power of ISO 20022, and SWIFT's reputation for deploying top-notch Standards expertise.

"I strongly suggest that other communities adopt, adapt and reuse the new messages in the true spirit of the ISO community." states Olli Kähkönen, Nordea Bank and Finnish member of the ISO 20022 RMG. ●

The new edition of the ISO 20022 standard, prepared by ISO TC68/WG4, is in the final approval stage at ISO. It is expected to be published on www.iso.org in the second quarter of 2012, but will not be implemented until May 2013.



The new edition makes the methodology

to develop ISO 20022 messages more robust and independent of UML (Unified Modelling Language). It will impact mostly the ISO 20022 Registration Authority (RA), serviced by SWIFT, which will need to adapt the RA tools as well as the ISO 20022 Data Dictionary. SWIFT will provide a brand new development tool to organisations that provide ISO 20022 messages. This tool will be easier to use than the current 'SWS Lite' provided by SWIFT and will be much less expensive as well since it will be a stand-alone tool not requiring the purchase of additional modelling software.

The impact on the XML Schemas used by end users of the ISO 20022 messages is extremely limited. It consists in a simpler XML design rule for the representation of 'Choices'. The effect of this rule is to change slightly the way a choice between XML elements is represented in XML Schemas. The new rule will be implemented by the RA in May 2013, and will affect XML schemas generated for any new ISO 20022 message released as of that date, and any existing message that would need to be maintained for a business reason as of that date.

The new edition of ISO 20022 will also offer new features, such as the possibility to use a new data type format to express time duration instead of having to indicate a start date and time and end date and time. It will be possible to use these new features, starting in May 2013, in new message development or at the occasion of message(s) maintenance.

A full description of the benefits of the new edition will be made available on the ISO 20022 website around the end of 2011. ●

ISO 20022 Registration Authority is Kept Busy!

By Aurélie Steeno, ISO 20022 Registration Authority



Since the last meeting of the Registration Management Group (RMG) on 17 November 2011 and up until end of March 2012, the Registration Authority (RA) has taken care of the submissions described below, making sure that the registration process is timely followed by the various actors and that the ISO 20022 website is kept up to date accordingly.

300 APPROVED ISO 20022 MESSAGES

Between 17 November 2011 and 31 March 2012, 105 new versions of existing message definitions were approved by the Standards Evaluation Groups (SEGs) for publication:

- 33 Securities Settlement and Reconciliation messages
- 16 Investment Funds Transfers messages
- 13 Corporate Actions messages
- 24 Cash Management messages
- 10 Payment Initiation messages
- 6 Payments Clearing and Settlement messages
- 3 Change/Verify Account Identification messages

These new versions will be published in May 2012. In total, there are 300 approved ISO 20022 message definitions.

CANDIDATE ISO 20022 MESSAGES

On top of the above mentioned message sets, the RA received and processed the following submissions of candidate ISO 20022 messages:

- **T2S – Security CSD Link (4CB – 3 messages)** The RA verified the compliance of the submission and generated draft documentation and schemas on 28 November 2011.
- **T2S – Securities Account Position Response (4CB – 1 message)** The RA verified the compliance of the submission and generated draft documentation schema on 1 February 2012.
- **Account Switching (UK Payments Council – 11 messages)** The RA verified the compliance of the submission and generated draft documentation and schemas on 27 March 2012.
- **T2S – Securities-Cash Account Link (4CB – 3 messages)** The RA verified the compliance of the submission in March 2012.

All of the above candidate messages will be pilot tested by the submitting organisations before submission to the SEGs for evaluation.

- **ATICA – Acquirer to Issuer Card messages (TC68/SC7/WG9 – 10 messages)** The RA verified the compliance of the submission at several occasions in November 2011 and January/February 2012.
- **Bank Services Billing (TWIST & SWIFT – 1 message)** The RA verified the compliance of the revised messages and submitted updated documentation and schema to the Payments SEG on 5 March 2012 for approval.
- **Authorities Financial Investigations (FFI – 3 messages)** The RA verified the compliance of the messages and submitted the documentation and schemas to the Payments SEG on 30 March 2012 for evaluation.
- **Card Clearing Payments SupplementaryData (Berlin Group – 1 extension)** The RA verified the compliance of the extension in March 2012.

NEW BUSINESS JUSTIFICATIONS AND CHANGE REQUESTS

As per ISO 20022 procedures, the RA receives new Business Justifications (BJ) and Change Requests (CR) and checks them for compliance with the approved 'templates' before submitting them to the RMG or SEGs.

Between 17 November 2011 and 31 March 2012, the RA received two new Business Justifications (BJ) and 19 Change Requests (CR):

- **BJ – Account Switching (UK Payments Council – 11 messages)** Received on 14 December 2011. Approved by RMG on 29 February 2012.
- **BJ – Extended Remittance Advice (IFX & OAGi – 2 messages)** Received on 15 March 2012. Returned to submitters with RA comments on 16 March 2012.
- Change requests are shown in the [Catalogue of Change Requests](#).

The RMG also approved the following business justification:

- **Authorities Financial Investigations (FFI – 3 messages)** Received on 28 October 2011. Approved by RMG on 17 January 2012.

NEW ISO 20022 WEBSITE

The RA has launched a brand new website www.iso20022.org on 12 January 2012.

STATUS OF ALL ISO 20022 SUBMISSIONS

The status of all submissions is kept up-to-date in the [Status of Submissions](#). The table below illustrates the situation on 31 March 2012. ●

300 ISO 20022 APPROVED MESSAGES (27 BJS)

RA I.D.	Submitting Organization	Submission Name	Status	Date
1	SWIFT, IFX, TWIST, OAGi	Customer to Bank Credit Transfer Initiation	3 new versions of message definitions approved for publication in May 2012	12 Mar 12
2	SWIFT	Investment Funds Distribution (1)	16 out of the 67 message definitions have been revised and approved for publication in May 2012	2 Feb 12
13	SWIFT	Investment Funds Distribution (2)		
3	SWIFT	Exceptions and Investigations	17 new versions of message definitions approved for publication in May 2012	12 Mar 12
4	SWIFT, IFX, TWIST, OAGi, ISITC	Bank-to-Customer Cash Management	3 new version of message definitions approved for publication in May 2012	12 Mar 12
5	SWIFT	Direct Debits	2 new version of message definitions approved for publication in May 2012	12 Mar 12
6	SWIFT	(Single) Credit Transfers	5 new version of message definitions approved for publication in May 2012	12 Mar 12
8	SWIFT	(Bulk) Credit Transfers		
7	SWIFT	Trade Services Management	50 message definitions registered and published	7 Jul 08
12	SWIFT	Proxy Voting	8 new versions of message definitions registered and published	10 Mar 10
14	CBI Consortium	Invoice Financing Request	3 message definitions registered and published	16 May 08
15	CLS	Forex Notifications	15 message definitions registered and published	9 May 07
16	Euroclear	Issuers' Agents Communication for CA	22 message definitions registered and published	23 Dec 08
24	SWIFT	Securities Transaction Regulatory Reporting	4 message definitions registered and published	23 Aug 07
27	SWIFT	Securities Settlement & Reconciliation	29 new versions of message definitions approved for publication in May 2012	26 Jan 12
28	SWIFT	Securities Corporate Actions	13 new versions of message definitions approved for publication in May 2012	26 Jan 12
31	French SWIFT Users Group	Change/Verify Account Identification	3 new versions of message definitions approved for publication in May 2012	12 Mar 12
32	SWIFT	Fund Processing Passport Report	2 message definitions registered and published	27Nov 09
34	SWIFT	Payments Mandates	4 new versions of message definitions approved for publication in May 2012	12 Mar 12
36	SWIFT	Bank Account Management	15 message definitions registered and published	27 Apr 10
35	CBI Consortium	Creditor Payment Activation Request	2 new versions of message definitions approved for publication in May 2012	12 Mar 12

RA I.D.	Submitting Organization	Submission Name	Status	Date
22	UN/CEFACT TBG5	Financial Invoice	1 message definition registered and published	1 Dec 10
45	SWIFT	Cash Account Reporting Request and Notification	4 new versions of message definitions approved for publication in May 2012	12 Mar 12
20	EPAS Consortium	Cape – Acceptor to Acquirer Card Transactions and POI Terminal Management	18 message definitions registered and published	10 May 11
21	Omgeo and SWIFT	Securities Post-trade	first set of 5 message definitions registered and published	28 Oct 11
11	ISITC	Total Portfolio Valuation Report	1 message definition registered and published	28 Oct 11
41	SWIFT	Securities Settlement Modification/ Replace and Allegement Response, T2S Audit trail	4 new versions of message definitions approved for publication in May 2012	26 Jan 12

30 CANDIDATE ISO 20022 MESSAGES UNDER EVALUATION (3 BJ)

10	FPL & SWIFT	Securities Pre-trade and Trade	evaluation of 29 candidate message definitions on hold	27 Oct 11
56	TWIST and SWIFT	Bank Services Billing	1 candidate message definition submitted to Payments SEG	9 Nov 11
64	Federation of Finnish Financial Services (FFI)	Authorities Financial Investigations	3 candidate message definitions submitted to Payments SEG	30 Mar 12

OTHER CANDIDATE ISO 20022 MESSAGES (15 BJS APPROVED BY RMG)

43	SWIFT and FPL	CCP Clearing	10 candidate message definitions reviewed by RA before pilot	15 Nov 10
49	FPL, FpML, ISITC, SWIFT	Collateral Management	13 candidate message definitions reviewed by RA before pilot	15 Nov 10
42	Deutsche Bundesbank (on behalf of 4CB) and SWIFT	TARGET2-Securities	82 candidate message definitions reviewed by RA before pilot testing	2010-2012
9	SWIFT	Cash Management	BJ approved by RMG	4 Nov 05
19	IFX Forum	ATM Interface for Transaction Processing and ATM Management	BJ approved by RMG and endorsed by SEG	24 Nov 08
37	SWIFT	Alternative Funds	8 candidate message definitions reviewed by RA before pilot testing	3 Oct 08
44	ISO/TC68/SC7/WG9	Acquirer to Issuer Card Messages (ATICA)	first set of 10 candidate message definitions reviewed by RA	Feb 2012
47	National Bank of BE (on behalf of FI, LU, NL, IE, CY, LV central banks)	Cash Lodgement and Withdrawal	BJ approved by RMG	15 Mar 10
50	Payments Council Ltd - UK	Real Time Payments	BJ approved by RMG	30 Jun 10
51	Berlin Group	Card Clearing Payment (CCPAY)	on hold	18 Jul 11

RA I.D.	Submitting Organization	Submission Name	Status	Date
52	ANBIMA	Investment Fund Prospectus	BJ approved by RMG	15 Jul10
53	SWIFT	Demand Guarantees and Standby Letters of Credit	BJ approved by RMG	30 Apr 11
58	ISITC, Omgeo, FPL	SSI for Securities, Payments and FX	BJ approved by RMG	30 Sep 11
61	ASF	Factoring Services	BJ approved by RMG	31 Oct 11
65	UK Payments Council	Account Switching	11 candidate message definitions reviewed by RA before pilot testing	27 Mar 12

BUSINESS JUSTIFICATIONS SUBMITTED FOR APPROVAL

46	IFX, OAGi	Extended Remittance Advice Messages	Updated BJ returned to submitters with RA comments	16 Mar 12
57	ISITC	Securities Management Accounting Book-Entry Instruction	on hold	4 May 11

BUSINESS JUSTIFICATIONS REJECTED OR WITHDRAWN

18	ISITC	Securities Cash Statement	withdrawn	16 Aug 06
25	SWIFT	Payments Mandates	withdrawn	29 Oct 07
33	SWIFT	Triparty Collateral Management	withdrawn	30 Apr 11
23	Euroclear	Securities Registration and Holder Identification	withdrawn	1 Aug 11
26	Euroclear	Market Claims and Automatic Transformation	withdrawn	1 Aug 11
30	Euroclear	Securities Issuance	withdrawn	1 Aug 11

MESSAGE EXTENSIONS

CR146	Berlin Group	Card Clearing Payment (CCPAY)	1 extension reviewed by RA	13 Mar 12
CR147	ISITC	Fund Accounting Information	CR approved by Payments SEG	2 Dec 11



SWIFT launches MyStandards

By Marc Delbaere, *Head of SWIFT Standards Research and Development*



The financial industry uses financial message standards to achieve automated execution of their business transactions. These message standards comprise a range of global message definitions, global and local market practices, and bilateral guidelines. Centralizing, analyzing, implementing and using this standards-related information is a huge undertaking, which involves a lot of time, resources and risk. To aid the financial industry with this, SWIFT introduces MyStandards, a collaborative web-based tool that facilitates the management of global messages, such as ISO 20022 messages, and related market practices. The tool became generally available on 1 May 2012.

STANDARDS CHALLENGES

Finding, accessing, interpreting and understanding all standards-related information which is relevant to an organization's business, can be a daunting task. Keeping track of new recurring message versions, as well as analyzing and implementing the changes further add to the standards challenges. Finally, it is a manual, time-consuming and error-prone task for an organization to develop its own implementation guidelines, either as part of internal specifications or as part of a market practice organization.

MYSTANDARDS – STANDARDS MADE SIMPLE

MyStandards has been developed in close collaboration with the financial community. It is an innovative, collaborative web platform that will help users to:

- **Centralize all standards-related information in a simple way.** Users can view and browse all message information in a single, easy-to-use platform. They can save time in exploring and understanding the information, thanks to a consistent and intuitive 'mark-up' method for all base messages¹ and implementation guidelines. ISO 20022 and SWIFT provide the base message definitions for current and future releases, whereas market practice organizations and any institution defining implementa-

tion guidelines can publish and share their content in a 'standard' way. This will increase general visibility of ISO 20022 messages and information.

- **Improve message version management.** MyStandards can be used at each step of the message maintenance management cycle. Users may identify which change requests impact the messages they use, analyze different message versions instantly, generate on demand documentation and computer-processable output (schema's) for ISO 20022 messages, SWIFT MTs and MXs to facilitate easy implementation. This capability allows implementers to reduce costs and implementation timeframes. It is expected to stimulate the migration to ISO 20022 and foster standards harmonization.
- **Streamline market practice management.** When developing formal guidelines, significant time can be saved and risk reduced. Feedback can be collected on-line and implementation guidelines can be published and shared with other users. This makes it easy to identify gaps and opportunities for harmonization of market practices and implementation guidelines. For instance, starting from an ISO 20022 master message definition, the requirements such as subsets of code lists, changed multiplicity, ignored elements, rules can be captured. ISO 20022 message extensions (use of the SupplementaryData component) are also supported.

In keeping with the openness of the ISO 20022 standard, MyStandards is available as a basic and as a premium license. The basic license is offered free of charge, to let the community benefit from it openly. The premium license is aimed at more advanced users.

MyStandards is entirely complementary with <http://www.iso20022.org>. It is a one-stop shop for business analysts, product managers, implementers and operators alike. As such, it offers value for anybody having to deal with standards and will help to bridge the gap between business and IT.

Interested organizations can have a look at <http://www.swift.com/mystandards>. MyStandards [webinars and launch events](#) will be organized. For additional information, contact MyStandards@swift.com. ●

1. Base messages: all ISO 20022 message definitions and the MT and MX standards included in the SWIFT User Handbook (UHB).

European Legislator Mandates Migration to SEPA

By Gerard Hartsink

In February 2012, the European Union (EU) Legislator adopted the 'Regulation (EU) No 260/2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009' (the SEPA Regulation).¹

Article 5 of the SEPA Regulation details the technical and business requirements that should be observed when carrying out euro credit transfer and direct debit transactions. These requirements relate, among other things, to the use of the International Bank Account Number (IBAN), the Business Identifier Code (BIC) and the ISO 20022 XML message standards. Article 5 also references the data elements detailed in the Annex to the Regulation that should be provided with a credit transfer and a direct debit payment. Articles 6 (1) and (2) stipulate that credit transfers and direct debits shall be carried out in accordance with the relevant requirements set out in Article 5 and in the Annex by 1 February 2014. The 1 February 2014 deadline applies in the euro area. In non euro countries, the deadline will be 31 October 2016. Effectively, this means that as of these dates, existing national euro credit transfer and direct debit schemes will be replaced by SEPA Credit Transfer (SCT) and SEPA Direct Debit (SDD). The SCT and SDD Schemes were developed by the European Payments Council (EPC), in close dialogue with the customer community, as requested by EU governments, the European Commission, the European Parliament, and the European Central Bank (ECB).

The majority of SEPA stakeholders recognise the value of setting a deadline for migration to harmonised SEPA payment schemes through EU Regulation. The EPC shares the view that an end date for phasing out legacy euro payment schemes for credit transfers and direct debits ensures planning security for all market participants and eliminates the high costs of running multiple payment schemes in parallel. The EPC has frequently pointed out that full migration to SEPA is subject to the EU legislator establishing the appropriate legal and



regulatory environment. The SEPA Regulation sets the conditions to fully realise the benefits inherent to the harmonisation of the euro payments market. A study carried out by Capgemini on behalf of the European Commission already in 2007, found that the replacement of existing national euro credit transfer and direct debit schemes by harmonised SEPA payment schemes holds a market potential of up to 123 billion euros in benefits cumulative over six years to the advantage of payment service users (PSUs). As

confirmed by the findings of this study, these benefits for bank customers are however contingent upon swift migration to a single set of SEPA payment instruments by both the demand and the supply sides.

IMPACT OF THE SEPA REGULATION: PROVISIONS REGARDING THE USE OF THE ISO 20022 MESSAGE STANDARDS

One important issue worth noting is that the SEPA Regulation will have an impact not only on payment service providers (PSPs) but also on PSUs. Provisions with regard to the ISO 20022 message standards illustrate the point:

Article 2 (17) of the SEPA Regulation defines the ISO 20022 XML message standard as "a standard for the development of electronic financial messages as defined by the ISO, encompassing the physical representation of the payment transactions in XML syntax, in accordance with business rules and implementation guidelines of Union-wide schemes for payment transactions falling within the scope of this Regulation." The 'implementation guidelines of Union-wide schemes' referred to in this definition would include, for example, the implementation guidelines published by the EPC with regard to the SCT and SDD Schemes. The SEPA data formats as set out in the EPC implementation guidelines are a subset of the global ISO 20022 standards.

Article 5 (1) (d) of the SEPA Regulation states that PSPs "must ensure that where a PSU that is not a consumer or a micro-enterprise, initiates or receives individual credit transfers or individual direct debits which are not transmitted individually, but are bundled together for transmission,

1. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:094:0022:0037:EN:PDF>

the message formats specified in point (1) (b) of the Annex are used". Point (1) (b) of the Annex to the SEPA Regulation specifies that such message formats are the ISO 20022 XML message standards. PSUs will therefore have to make arrangements to adapt to the usage of ISO 20022 XML message standards in the customer-to-bank space in relation to files of payment transactions. It should be noted that Article 16 (5) of the SEPA Regulation allows EU Member States to waive the requirement to use the ISO 20022 message formats for PSUs that initiate or receive individual credit transfers or direct debits that are bundled together for transmission until 1 February 2016, except in cases where a PSU requests such a service.

When carrying out credit transfer and direct debit transactions, PSPs must use the ISO 20022 message standards (see Article 5 (1) b).

THE NEW REGULATORY REALITY GOVERNING THE EVOLUTION OF THE SCT AND SDD SCHEMES

The SEPA Regulation also redefines the process governing the evolution of the SCT and SDD Schemes. To-date, the EPC develops the SEPA payment schemes and frameworks, based on global technical standards developed by international standardisation bodies, in close dialogue with the customer community. It remains the EPC's objective to ensure that the SCT and SDD Rulebooks evolve in response to proven market needs, based on a predictable release schedule. It must be clarified however that the EPC can no longer be held accountable in this regard. Moving forward, the EPC will be under the legal obligation to align the SCT and SDD Rulebooks with the technical requirements detailed in Article 5 and in the Annex to the SEPA Regulation. The SEPA Regulation gives power to the European Commission to amend the technical requirements set out in the Annex to the Regulation through 'delegated acts'. 'Delegated acts' are a new addition to the EU decision-making landscape. They were introduced by the Lisbon Treaty, which entered into force in December 2009 and more specifically, by Article 290 of the Treaty on the Functioning of the European Union (TFEU). Whereas European legislation is adopted by the EU legislators: the Council of Ministers (made up of representatives of the 27 EU Member States) and the European Parliament (made up of 754 directly elected members), Article 290 TFEU allows the Council of Ministers and European Parliament to delegate the power to adopt non-legislative acts to the European Commission (the executive body).

All market participants obliged to adapt systems and operations with the technical requirements applicable to the SCT and SDD Schemes as determined by the European Commis-

sion, would greatly appreciate it if the regulators were able to make specific information on the principles and timelines governing the further evolution of the SEPA Schemes available. To date, the European Commission remains silent on the matter.

TWO STEPS FORWARD, ONE STEP BACK ON THE ROAD TO HARMONISATION: UNCERTAINTIES INTRODUCED WITH THE SEPA REGULATION

The SEPA Regulation provides certainty as to the timing of migration, which is an essential precondition to successful completion of the SEPA harmonisation exercise. At the same time however, the SEPA Regulation, in an attempt to respond to a broad range of requests for flexibility articulated by various parties throughout the legislative process, has introduced several exemptions. Article 16 of the SEPA Regulation permits individual EU Member States to extend the deadline for compliance with some of its provisions to 1 February 2016. Full harmonisation will therefore not be achieved until February 2016. This is particularly relevant for PSPs and PSUs active in more than one EU Member State.

It is arguable that this attempt at flexibility breeds confusion and risks translating into a prolonged patchwork of national variations, leaving PSPs and PSUs uncertain as to what will apply, when, where and how. The market will have more clarity by 1 February 2013, by which time EU Member States must notify the European Commission of the derogations that they intend to use (see Article 16 (7)).

It is regrettable that the testimonies from PSUs that have already successfully concluded the SEPA migration exercise were not taken into account, as their experience in the live SEPA environment is a great indication of the fact that the benefits arising from the migration are proportionate to the level of harmonisation achieved. This is in line with the findings of the study carried out at the request of the European Commission in 2007 mentioned above, which indicates that the potential benefits are dependent on swift migration to harmonised schemes and standards by the demand and supply sides.

SEPA MIGRATION: PROGRESS ACHIEVED TO DATE

As of February 2012, the share of SCTs, as a percentage of the total volume of credit transfers generated by bank customers, amounts to 24.8 percent in the euro area according to the SEPA Indicators compiled by the ECB. The share of SDDs, as a percentage of the total volume of direct debits generated by bank customers, amounts to 0.4 percent.

As of April 2012, 4,559 PSPs offer SCT services. Today, the PSPs delivering SCT services represent more than 95 percent of payment volumes in Europe. As of April 2012, 3,923 PSPs, representing more than 80 percent of SEPA payments

volume have signed up to the SDD Core Scheme. Of those, 3,444 PSPs also adhere to SDD Business to Business Scheme. All branches of banks in the euro area must be reachable for cross-border direct debits; e.g. the SDD Core Scheme, since 1 November 2010 as mandated by the EU Regulation (EC) No 924/2009.

GETTING SEPA-READY: THE TIME TO ACT IS NOW

PSUs now setting up a SEPA migration project, might consider the lessons learnt by early movers on the customer side, which are highlighted, for example, in the EPC Newsletter and in the EPC video 'SEPA for Billers: The Time to Act is Now' (available on the EPC Website, see link below). These SEPA pioneers identified the following challenges with regard to SEPA migration:

- Conversion of customer account data to the IBAN and the BIC. (The SEPA Regulation stipulates the timelines for application of the so-called 'IBAN only' rule. Article 5 (7) of the SEPA Regulation states that "after 1 February 2014 for national payment transactions and after 1 February 2016 for cross-border payment transactions, PSPs shall not require PSUs to indicate the BIC of the PSP of a payer or of the PSP of a payee." Article 16 (6) however, provides that EU Member States have the option to defer application of the 'IBAN only' rule for national transactions to 1 February 2016. Therefore, after 1 February 2016 at the latest, PSPs must be able to identify the appropriate BIC to use where a customer chooses to provide the IBAN only.)
- Implementation of the ISO 20022 message standards.
- Adaptation to SDD mandate requirements.
- Alignment of interfaces with customers and business partners to ensure seamless end-to-end payment processing.

These early movers also concur that migration to SEPA pays off. As Stefan Scheidgen, Head of Cash Management and Accounting at Deutsche Post Pension Service Business Division, points out: "We have accomplished execution times of just one business day for SCTs, which allows our contracting partners to save liquidity. In the process of migrating to SEPA, we consolidated the previous four payment systems into one. We plan to further automate our banking processes, based on the implementation of SEPA Schemes and standards, which will result in even more efficiency." The Deutsche Post Pension Service Business Division started its SEPA migration project in early 2009 and essentially completed the process in June 2011. It disburses 25 million pension payments per month on behalf of the public German retirement scheme to retirees residing in Germany and abroad. It is worth noting that by January 2012, 22.5 million of these payments were SCTs and it is expected that the remainder of the volume will be migrated shortly.

UNIQA Group Austria, which services approximately 7.5 million customers in 21 regional markets, started the migration project (covering both SCT and SDD) at the beginning of 2008 and essentially concluded the transition in 2011. As Thomas Weissmann, Project Manager with the group, clarified: "SEPA is an excellent and necessary idea. It should be kept in mind however, that the dimensions of the SEPA migration project are comparable to those associated with the transition to the euro currency a decade ago"; the migration however, entails great benefits. "Firstly, migrating to the harmonised SEPA payment schemes allows for more efficient account reconciliation. Secondly, being able to collect direct debits throughout Europe using the harmonised SDD Schemes is also a principal advantage for us."

The Finnish public sector spearheads SEPA migration by public administrations in the EU. According to the European Commission Services' fifth survey on 'Public Administrations' Preparedness and Migration to SEPA', public administrations in Finland boasted an SCT migration rate of 90.9 percent in June 2011. By end 2011, Finland completed migration to SCT and the ISO20022 message standards. Anneli Seppälä, the Payment Processing Manager of Kela, the Social Insurance Institution of Finland, recalls: "In October 2007, we set up a dedicated work team of our payment experts to analyse which changes would be required within the organisation in order to migrate to SEPA. This research also identified the staff to be appointed to the Kela SEPA implementation team. Based on this analysis, we developed a very specific project plan which led to the start of the actual Kela SEPA project in May 2008." Kela disburses payments to the majority of the Finnish population. The institution manages more than one hundred different types of benefits and compensation schemes. The annual value of benefits and compensations amounted to approximately 12.2 billion euros in 2010. Kela makes some 33.3 million payments annually, which include 250,000 cross-border payments. The organisation sent its first SCT payments in May 2009. In 2010, Kela disbursed some 21.6 million SCTs and concluded its migration project at the end of this year. Anneli Seppälä comments: "Our experience confirms that our payment processes are more efficient following SEPA implementation."

Project managers who have already concluded the migration exercise unanimously recommend that organisations that have yet to adapt their systems and operations to SEPA Schemes and technical standards should act immediately. ●

For more information, visit the EPC Website at www.epc-cep.eu.

ISO 20022 Registration Activities During March 2012

Submitting Organization	Submission Name	Status	Status Date
SWIFT	Investment Funds	1 CR forwarded to Securities SEG	1 March 2012
SWIFT	Payments Maintenance 2011/2012	New version of 43 message definitions approved by Payments SEG	12 March 2012
IFX & OAGi	Extended Remittance Advice	Business justification returned to submitters with RA comments	16 March 2012
FFI	Authorities Financial Investigations	3 candidate message definitions forwarded to Payments SEG for evaluation	30 March 2012

Notes:

- A new version of the [ISO 20022 Business Areas](#) description has been posted on 16 March 2012 including the new business area (“auth”).
- A new version of the [XML tag list](#) has been made available on 21 March 2012.
- The Powerpoint presentations have been updated on 3rd April 2012.
[Introduction to ISO 20022](#)
[The success of ISO 20022](#)

Registration activities actions required by RMG in April 2012:

Submitting Organization	Submission Name	Status	Due Date
N/A	N/A	N/A	N/A

Notes:

- For latest details on all ISO 20022 submissions, check the [Status of Submissions](#).
- For latest details on changes requested to existing ISO 20022 messages or the External Code Lists, check the [Catalogue of Change Requests](#)
- For the latest version of a business justification (BJ) or maintenance change request (MCR), download the ‘Log History’ spreadsheet in the [Status of Submissions](#) table, then download the BJ or MCR in the upper right corner.
- To upload a document with your comment on a business justification, please go to <https://www.x9.org/apps/org/workgroup/rmg20022comment/documents.php> and enter your user name and password to open the RMG Commenting Documents page, click on the targeted BJ folder in the list on the left and then on “Add Document” in the drop down “Action” menu on the upper right.
- To vote on business justifications and other RMG related ballots, please go to <https://www.x9.org/apps/org/workgroup/rmg20022/ballots.php> and enter your user name and password to open the RMG ballot page.

News from the SEGs

Payments	The SEG has approved the new version of 43 Payments message definitions resulting from the 2011/2012 maintenance. The SEG has received 1 new CR for External Code Lists for the 2Q2012 version.
Securities	The SEG has received 1 new CR for an Investment Funds message for the 2012/2013 maintenance cycle.
Trade Services	The SEG has received 12 new CRs for the Financial Invoice message for the 2012/2013 maintenance cycle.
Forex	Nothing to report
Cards & Related Retail Financial Services	Nothing to report
Cross SEG Harmonisation Group	The SEG has approved the creation of a new business area for Authorities (auth).